CIO advocates preparing for lower rates and an evolving political landscape. (UBS)

Investment lessons for the second half

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Global equities started the second half of 2024 on a positive note. The S&P 500 edged up 0.3% to stand just 0.2% beneath the all-time closing high struck on 18 June. The index is now up 14.8% year to date.

The first six months of the year may have felt like a roller coaster to some investors. But market performance has justified staying invested and underscored the merits of diversification. We see three lessons from the first half of this year that should help investors navigate market dynamics over the next six months.

Allocating to global equities—even in periods of uncertainty—is generally accretive to wealth. The first half of 2024 was one of robust performance in global equities. The MSCI All Country World Index gained 13.5%. This was partly driven by a strong June, where global equities returned 2.6%. The S&P 500 led the charge with a 15.3% increase during the six-month period, including a 3.6% gain in June alone. We continue to see a supportive backdrop for global equities, and expect discount factors to decline as inflation normalizes and central banks embark on an easing cycle.

AI remained a dominant driver of business investment and market performance. AI remained a significant catalyst of both corporate activity and stock market performance. NVIDIA briefly became the world's largest company by market capitalization, highlighting the sector's continued and substantial growth. Without taking single-name views, the chipmaker's 150% year-to-date gain highlights the importance of portfolio exposure to AI. We think investors should make sure they're sufficiently invested in AI, with a tactical tilt to the enabling layer of the technology's value chain and megacaps.

Political uncertainty underlines the merit of diversification across asset classes, regions, and sectors. The first of two scheduled debates between US President Joe Biden and former President Donald Trump last week took an unexpected turn, with Biden failing to assuage concerns over whether he could withstand the rigors of another four years in office. We expect market volatility to continue in the lead up to the US presidential election in November.

So as investors head into the second half of the year, we advocate preparing for lower rates and an evolving political landscape by building a balanced and diversified portfolio across fixed income, equities, and alternative investments. We also see gold as an attractive geopolitical hedge and portfolio diversifier, and rate the metal as most preferred.

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